

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 ABF-01 NSC-05

SS-15 STR-04 CEA-01 AGRE-00 /105 W

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R 090653Z SEP 77

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 1290

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON

AMCONSUL MELBOURNE

AMCONSUL PERTH

AMCONSUL SYDNEY

AMCONSUL BRISBANE

UNCLAS CANBERRA 6321

USOECN ALSO FOR EMBASSY, USEEC ALSO FOR EMBASSY

EO 11652: NA

TAGS: EALR, EFIN, AS

SUBJ: FURTHER GOA ACTIONS TO OFFSET FALL IN RESERVES

REF: A. CANBERRA A-103, B. CANBERRA 5955, C. CANBERRA 5663,
D. CANBERRA 5450 (ALL NOTAL)

1. IT ANNOUNCED SEPTEMBER 8 THAT GOA PLANNING DOUBLE ITS
EURO DOLLAR BOND BORROWING TO DOLS US 500 MILLION TO OFFSET
AN ACCELERATED DECLINE IN RESERVES. MOVE COMES LESS THAN
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WEEK AFTER ANNOUNCEMENT THAT ORIGINAL DOLS US 200 MILLION
ISSUE (REF. A) HAD BEEN INCREASED TO DOLS US 250 MILLION
AS RESULT OF REPORTEDLY STRONG RESPONSE FROM EUROPEAN IN-
VESTORS.

2. IN A SEPARATE ACTION SEPTEMBER 8 TROIKA WHICH CONTROLS
EXCHANGE RATE OF A/DOL ANNOUNCED FURTHER DEVALUATION OF

0.1 PERCENT AGAINST TRADE-WEIGHTED INDEX (OR "BASKET OF CURRENCIES") UPON WHICH VALUE OF A/DOL SET. THIS FIFTH CHANGE IN INDEX IN PAST FORTNIGHT.

3. ACTIONS APPARENTLY TRIGGERED BY ANNOUNCEMENT SEPTEMBER 8 OF STATISTICS SHOWING A FURTHER DROP OF A/DOLS 353 MILLION (TO A/DOLS 2,701 MILLION) IN OFFICIAL RESERVES IN AUGUST. THIS BROUGHT RUN-DOWN IN OFFICIAL RESERVES SINCE LAST APRIL TO A/DOLS 1,079 MILLION. RESERVES NOW BELOW LEVEL AT TIME OF NOVEMBER 1976 DEVALUATION. BALANCE OF PAYMENTS FOR AUGUST REFLECTED DEFICIT OF A/DOLS 385 MILLION AFTER A NET APPARENT CAPITAL OUTFLOW OF A/DOLS 123 MILLION AND ANOTHER LARGE CURRENT ACCOUNT DEFICIT (DUE IN NO SMALL PART TO CONTINUING INVISIBLES DEFICIT). IMPORTS WERE SHOWN TO HAVE RESUMED THEIR UPWARD TREND IN AUGUST AFTER EARLIER SIGNS THAT NOVEMBER 1976 REVALUATION WAS FINALLY BRINGING ABOUT SOME REDUCTION.

4. ALL OF AUGUST DROP IN RESERVES WAS ACCOUNTED FOR BY A A/DOLS 385 MILLION FALL (TO A/DOLS 655 MILLION) IN HOLDINGS OF US DOLS, BRINGING THEM TO LESS THAN HALF JUNE LEVEL OF A/DOLS 1,312 MILLION. OTHER FOREIGN EXCHANGE HOLDINGS GAINED BY A/DOLS 8 MILLION (TO A/DOLS 861 MILLION), GOLD HOLDINGS ROSE A/DOLS 26 MILLION TO A/DOLS 985 MILLION (AS RESULT OF RECENT REVALUATION AT MARKET PRICE OF AUSTRALIA'S GOLD HOLDINGS - REF C), SDR'S DECLINED BY A/DOLS 2 MILLION UNCLASSIFIED

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(TO A/DOLS 25 MILLION), AND RESERVE POSITION IN IMF EDGED DOWN BY A/DOLS 1 MILLION (TO A/DOLS 175 MILLION).

5. SEASONALLY ADJUSTED TRADE FIGURES FOR AUGUST SHOWED A 4.7 PERCENT GAIN IN EXPORT INCOME (TO A/DOLS 1,045 MILLION), BUT A RENEWED RISE IN IMPORT SPENDING OF 3.9 PERCENT (TO A/DOLS 957 MILLION). IMPORT EXPANSION STILLED HOPE EXPRESSED IN EARLY AUGUST THAT 4 PERCENT SEASONALLY ADJUSTED IMPORT DECLINE IN JULY AT LAST SIGNED THAT DEVALUATION WAS HAVING DESIRED EFFECTS. IN UNADJUSTED TERMS, EXPORTS ROSE IN AUGUST BY A/DOLS 105 MILLION TO A/DOLS 1,076 MILLION AND IMPORTS INCREASED BY A/DOLS 71 MILLION TO A/DOLS 1,011 MILLION, TO INCREASE TRADE SURPLUS BY A/DOLS 34 MILLION TO A/DOLS 65 MILLION.

6. COMMENT: LATEST ACTIONS SHOW CONTINUATION OF RESOLVE (DISCUSSED IN REF A) ON PART OF GOA TO DEFEND A/DOL FROM ANYTHING REMOTELY APPROACHING MASSIVE 17.5 PERCENT DEVALUATION OF NOVEMBER 1976.
ALSTON

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Message Attributes

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Sent Date: 09-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition History: n/a
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Format: TEL
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